



# Republican Policy Committee

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## One From the Vault

### **President Advocates Increasing Cost of Employment with a 21-Percent Starting (Minimum) Wage Increase**

*If rises in the price of labor do not reduce employment, why should we expect that a rise in the price of anything else affects the quantity purchased? This is to economics what disproving the law of gravity would be to physics.*  
[Thomas Sowell, economist, Hoover Institution, *Forbes Magazine*, May 22, 1995]

The Association of Community Organizations for Reform Now (ACORN), an advocacy group that claims to work for the rights of low- and moderate-income people, favors a mandatory increase in the minimum (or starting) wage. Yet, in a startling display of hypocrisy, the group filed a court brief in California *requesting an exemption for itself* from the starting wage.

Here's how the group described its need for the exemption: "... The more that ACORN must pay each individual outreach worker — either because of [starting] minimum wage or overtime requirements — the fewer outreach workers it will be able to hire" [Richard Berman, Employment Policies Institute, guest column, *Chicago Sun-Times*, March 6, 1996].

Now, the President, members of his cabinet, and the minority in Congress, are attacking the laws of economics again. In conjunction with some very strong special-interest groups, they want to increase the cost of employment, and are using the starting wage to accomplish this.

### **President Clinton's Proposal**

President Clinton proposes a 90-cent increase in the starting wage, accomplished in two 45-cent increases, the latter in July of 1997. His proposal would raise the starting wage from its current level of \$4.25/hour to \$5.15/hour, amounting to a 21-percent increase.

### **Real Costs for Real Americans — Even Proponents Found Out**

- It's not a minimum wage — it's a starting wage. Increasing the starting wage will not create a single job, it will only taken jobs away from those who need them most. Surely a group like ACORN knows who is most hurt by mandatory wage hikes.
- Fully 77 percent of the 22,000-member American Economic Association believe a hike in the starting wage costs jobs. It prices low-income workers out of the job market: endless

studies support that conclusion. The recent study — conducted by two Princeton professors in New Jersey — that concluded the opposite has been completely refuted for its flawed data-gathering technique.

- Most people who would be affected by the proposed increase are not primary bread winners for their families. More than 35 percent of those are teenagers and others living with their parents, while only 2.8 percent are single mothers or fathers. Only 11 percent of all workers earning \$5.15 an hour or less are the sole supporters of their families.
- More than 11 million people work in jobs which pay between \$4.25/hour and \$5.15/hour. If the starting wage were hiked to \$5.15/hour, more than 600,000 of those people would lose their jobs. Additionally, countless more jobs will go uncreated because of the increase.

### **Why Not \$10/Hour, and Why Not the 103d Congress?**

If, as the President and his cohorts assert, the starting wage increase is needed to give Americans a boost in their living standard, why stop at \$5.15 per hour, and why not go to, say, \$10? The answer is because at \$10 an hour, the effect of the mandate — a cost on employers, which quickly translates into a loss of jobs for those in our society who most need entry-level or on-the-job-training positions — would be enormous. The argument against any increase is precisely the same; yet, proponents of the 90-cent mandate know its impact would be harder to measure.

President Clinton's latest proposal to increase the minimum wage is simply, special interest politics at its worst. As Representative Saxton, (R-NJ), vice-chairman of the Joint Economic Committee, has pointed out, "The political motivation behind Clinton's minimum wage proposal is crystal clear. Why didn't the President propose the idea to the Congress last year [1994] when Democrats controlled both Houses of Congress and presumably could have passed it into law?"

### **America Does Need a Raise: A Balanced Budget and Tax Relief**

- Congress recognized the "Clinton Crunch" (incomes are stagnant or going down while taxes and regulations go up) and passed tax relief for hard-working Americans, which would have returned to them \$500-per-child of their own money. Clinton vetoed that tax relief, only two years after raising taxes by a record-breaking \$251 billion.
- Congress passed a balanced federal budget to force government to live within its means. If President Clinton had not vetoed the balanced budget, Americans could be pocketing the savings from thousands of dollars in lower interest rates.

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[Statistical data provided by the Employment Policies Institute, March 1996]